

MANDATORY HEALTH INSURANCE SYSTEM

CONCEPT OF FORMATION AND DEVELOPMENT **INTRODUCTION**

The social and economic crisis Russia is currently passing through entails inevitably excessive loads on health of the population at large and every individual's state of health, including, well-off people and those relatively successful socially.

In keeping with the situation, the unprecedented requirements are imposed upon the state-planned medical assistance system built-up in the course of "socialist" period. The system fails to meet the requirements placed under conditions of budget deficit and cope with the challenge due to its non-compliance with the new economic relations existing in the society at the moment.

Great hopes are being pinned in the present state of affairs on the new system of medical aid arrangement and management based on health insurance that is now in store for Russia; we might observe in passing that the same is true for all the "postsocialist" countries of Central and Eastern Europe

It is clear that the production landslide, the collapse of enterprises, growing unemployment, the erosion of earnings, the decline in the living standards of the majority of the population fall far short of being the ideal conditions for the implementation of any public health model, even the most one. The System is being born with difficulty and developed unevenly, resulting in conflicting opinions and even active opposition. Nevertheless, the System has manifested itself as sufficiently efficient and proved to be a proficient method of attacking the problem within many Russian regions. The System's facilities turned out to be the essential factor in preventing disorganization of the health care system in 1994 under the critical conditions in terms of its budget financing.

The purpose of the present concept is to specify the main avenues and specific measures to be taken with an eye to increasing the System's tolerance for the hard conditions under which it is being formed, as well as offer strategic landmarks to be referenced to as the System development progresses.

The conception is based on the data of the complex systems analysis of the situation in the field of public health, the current state of the MHI system and other problems. The conception concerns the aspects that have already been worked out and are now in practical use.

I. BACKGROUND OF MHI FORMATION

1.1. Economics, Health and Medical Services

The progress of the medical care system can be considered only in the context of the economic dynamics and that of the population health. Four periods in the history of Russia (the USSR) can be distinguished from this point of view.

First Period. Restrictions in financing the medical practice for account of the state treasury funds and those of the local governments (called Zemstvo - elective district councils in pre-revolutionary Russia) with the industrial capital in the Russian economy gaining at the

same time in greater importance, gave an impetus to the revival of the so-called "factory medicine" in the second half of the 19th century (the initial attempts were made in 1717); the "factory medicine" transformed subsequently into the health insurance system. The First World War and the political and economic crisis Russia was plunged into over the period between 1913 and 1919 prevented the system from further development.

Second Period. With the Civil War brought to the end and until the sixties, the rapid development of the Russian (the USSR) economy had been going on: the increase in the GDP (96 times), the growth of the national income (65 times), the rise of the industrial output (225 times), the improvement in the living standards of the population. In terms of providing the population with physicians and hospital beds, the country came to the forefront and what's more it had a world lead in this field; the figures indicating this leadership were variable from half as much again to twice as large as that for the western countries. The death rate lowered by more than three times, and the infant mortality decreased by almost 9 times, while the longevity increased from 32 to 70 years.

Third Period. In the sixties the downturn of the country's economic development indicators was marked; the setback was caused by the decentralization of the national economy management without any adequate changes in its economic basis. The recession was exhibited by the total slowdown in the industrial and agricultural production growth rates followed by the disproportion and disbalance in financing and development of various branches of the national economy.

Such a situation could not help but immediately and inevitably impact on the population state of health and on the entire public health system: beginning from the middle of the sixties one could observe the consistent fall in fertility, the excess in mortality, the decrease in natural increment of the population, and the aggravation of socially significant illnesses. The attempts to compensate for the drawbacks inherent in the whole system of health protection for account of persisting in extensive accumulation of "medicinal potential" could not be successful.

Fourth Period: The crisis of the state administration, the disintegration of the production ties and relations, the spontaneous redistribution of the accumulated wealth, the headlong fall in production, and the like, resulted in the total social-and-economic crisis since the beginning of the nineties. The natural population growth being the major indicator of the nation health became negative during the fourth period. The total system of health protection was being gradually destroyed in this span. The need in medical aid is abruptly increasing, however the demand for the medical care is becoming unfeasible and can not be actually met within the context of the former state-governed public health system.

1.2. State-Planned Health Care Crisis: Main Reasons

1. High cost of extensively developing health care with the concurrent progressive reduction in the financing possibilities on the basis of the state budget (a distinguishing characteristic of the third and the fourth periods).

2. Low level of remuneration of labour among medical personnel and making use of the wage-leveiling principle irrespective of loads and quality of the services rendered (the salient features of the second, third and fourth periods).

3. Tough limits of the centralized budgeting of medicoprophyllactic institutions paralyzing local initiatives aimed at reorganizing and improving their activities (the key feature of the third and fourth periods).

4. Indifference of an employer about reduction of sickness rate and associated labour loss under conditions of labour excess in this specific market (the hallmark of the fourth period).

5. Parasitic attitude on the part of individuals to the "free of charge" medical services and inactivity in terms of supporting their own health coincident with the lack of competition in job retention and employment (inherent in the third and fourth periods).

6. Satisfaction on the part of the governmental authorities with the medical aid level achieved as it provided the relative stability of the citizens' feelings of their social safety (the characteristic property of the fourth period).

The governing factor (except for the general economic roots) of the causes referred to above is the "erosion" and "blurred" character of the funds designed for medical needs when drawing up and approving the state budget (the tax being non-differentiated according to the purpose and the use of the so called "residual" or "irreducible principle" when allocating resources, in compliance with which the funds assigned for medical services were irreducible).

1.3. MHI Advantages

The formation of the open market type society based on federal mechanism of government requires the eventual abandonment of the total, rigidly centralized planning of the citizens' and social institutions' active life. **The MHI is in complete agreement with the new form of social and economic relations being built up in Russia.** The System implementation will make it possible to tackle social, economic, legal, organizational and political problems found in the public health field and associated with furnishing the population with medical services and assistance under the present-day conditions.

The social problems. The MHI System is being built up on the principles of social justice where the rich pay for the poor, and the healthy pay for the sick.

The economic problems. The MHI System is based on a stable source of medical service financing, that is, the purpose-oriented insurance premium or contribution. The medical services provided shall be paid for depending on the volume and quality of works carried out with the control over the application of the insurance funds. The fact that the insurance premiums are to be purpose-oriented, i.e., the facilities shall be assigned and allocated only for medical needs, allows to reduce "the resistance" on the part of the premium payers and minimize the possibilities of diversion and drawing the resources away.

The organizational problems. The order according to which the payment for the medical services rendered is to be dependent upon the volume and quality of the works performed gives rise to the improvemet of the health service infrastructure and may result in the increase in effectiveness of the resources to be disposed of and the procedure of their application by itself. The economic mechanisms designed for the adjustment of medical labour quality and efficiency permit to form a new approach to the development of the prophylactic line in medicine.

The interrelationship of the System entities' interests is the deciding factor determining its potential ability for self-organization and hence providing the System's stability.

The legal problems. The relations between the System's subjects are formed on the basis of agreements that provide for both the rights and duties of each of the subjects and, what is important, their mutual obligations. For the first time a patient has been entitled to choose a medical institution and a physician, and to have an independent lawyer defending his interests when obtaining medical assistance.

The political problems:

The MHI allows the mutual relations between the "center" and the "regions" to be settled; this is conditioned by a clear-cut sharing of powers in the field of medical care. The practice of equalization of financial resources various territories/regions have at hand when rendering medical services prevents social tension.

II. PROBLEMS OF MHI IMPLEMENTATION INITIAL STAGE

At present, MHI practice is incapable to actualize adequately the potential inherent in it notwithstanding the fact that the appropriate legislative basis is available, the official regulations and the rules of its organization procedure are provided and the establishment of all the insurance activity entities within the most territories of the country has taken place. The obstacles which the System is running into to-day have their origins in the processes described below.

2.1. Economic Situation

Under conditions of the crisis Russia is experiencing in these latter days being unprecedented in terms of its depth, it is difficult to effectively carry out the reforms in the field of public health aimed at full optimization of health protection, widening the scope of social services (including those associated with rendering medical services), increasing the degree of availability and quality of medical assistance (as compared with the figures characteristic of the whole prereformatory period).

In these circumstances the major **immediate objective** when implementing the Health Care Reform is the introduction of the way to be used for the purposeful accumulation of the appropriate resources and their differentiated distribution. It should be emphasized that the abovesaid way or method is to be suitable and be in line with the general economic situation, and at the same time it should be sufficient for providing the population with guaranteed medical care and services. It is just this purpose which the state public health system (being fed for account of the state budget) fails to attain to-day and on which the CHIS practice is concentrated.

The problems the MHI encountered on its way to this purpose:

- Unstable financial standing of insurance premium payers;
- Low rate of insurance premiums;
- Uncertain legal status of the employees that do not get wages and/or salaries for a prolonged period of time but not assigned to the category of unemployed and being insured for account of the budget;
- Failure to receive the payments by the territorial funds running within economically weak regions designed for the above-mentioned idle people insurance, or these payments, if any, are not in full volume;

- Essential part (in excess of 50%) of the Russian Federation subjects subsidized by the state hampers the levelling in the field of health insurance to be provided by the Federal MHI Fund (the joint fund exhaustion);
- The lack of credible information to be delivered by the territories about the balance and the demands for financial resources on the part of a particular sector, about the volume of financing from all the resources available (the local budget, the resources supplied by ministries and departments, the chargeable services, the voluntary insurance, the contractual works, the funds possessed by various enterprises, and so on).

2.2. Situation in Public Administration Sphere

The drastic abandonment of the state-planned social management system with the spontaneous formation of market exchange relations has placed extremely high requirements upon the public authorities and state administrative bodies which failed to adapt themselves quickly to the new situation.

As to the MHI, this inability brings into existence the following key problems:

- Shortage of premiums collected as a consequence of weak state supervision and control over the incomes of legal and natural persons (concealment of incomes);
- Avoidance of health insurance payments for the unemployed on the part of the executive branch agencies;
- Direct and circumstantial encroachments on the MHI's funds for the purpose of reducing the budget deficit (single withdrawals of temporarily free resources and their transfer to the budget, consolidation of the MHI funds with the regional budgets and attempts to "dissolve" them in a single social insurance fund, and the like);
- Restraint of the statutory transformation of medicoprophylactic institutions into independent economic entities with the shortage of budgeting these institutions and hampering in this way the development of sound contractual relationships between the medicoprophylactic institutions and insurance agencies;
- Delay in working out MHI programs, the rates for medical services, the quality criteria for medical care, the procedure for mutual settlements between state bodies/institutions and insurance agencies.

2.3. MHI Self-Organization Problem

The major prerequisite for any system self-development is the optimum relationship of positive and negative feedbacks between the elements operating within the system. The former provide spontaneously the development processes with dynamism and the latter restrain the dynamics should it withdraw the system beyond the stability limits.

At present the MHI System represents the complex of entities being bound together by the statutory obligations established by the pertinent laws and subordinate legislation.

Execution of the obligations is encouraged for the most part by the responsibility of a particular party for their non-fulfilment, that is to say, on the basis of the negative feedback principle. The relevant sanctions in a number of inter-entity relations are characterized by the unilateral direction.

This feature poses a diversity of problems:

- Collection of the insurance premiums from the employers is provided only with the help of the coercive-and-incentive sanctions: opening of a bank account provided that the enterprise registration certificate obtained in the insurance fund office has been presented; allocation of monetary means by the bank for the insurant to remunerate labour is not provided for without producing and issuing the payment order for the transfer of the insurance premiums; late charges in the event the insurance premiums were not paid in due time, and the like. At the present time the employer has no direct interest in payment of insurance premiums. He has no right to impose sanctions himself (for example on an insurance agency);
- The State having established the strict sanctions concerning the insured, has not provided for any regulations dealt with any sanctions in respect to the state itself should its bodies fail to make payments for the unemployed insurance;
- The medical institutions obliged to provide the persons being insured with the appropriate medical assistance of the required volume and quality are under control of the insurance agencies (penalties, reduction in budgeting, etc.). Any mechanism intended to regulate and enhance the medical institutions's interest in this type of activity (through the incentives in relation to medical labour) remains to be set up within the most of the territories involved;
- The health insurance companies being non-government organizations are bound up in their operations with the state insurance funds: it is just the state funds that finance the main avenues of their activities. In spite of the fact that these institutions are deemed to be, interpreted as and called "Insurers", they are actually running to-day as intermediaries;
- The insurance funds being government establishments and not controlled by the MHI self-government structures (they are absent) are completely dependent on the executive authorities. Being authorized to establish the MHI System, they at the same time are not defined legally as the subjects of this System;
- The main subject of the MHI System - the Client - does not participate in the insurance operations directly and exhibits no interest in the System; the association between the Client and his physician is mediated by the long chain: Insurant-Insurance Fund-Insurer-Medical Institution.
- Thus and so, the MHI functioning is based mainly on the negative and asymmetrical feedback. The systems of similar nature are conservative and can develop only under conditions of strict administration control. Such an approach to the CHI System organization is inevitable at the initial stages of its development, all the more so, as this development is occurring against the background of the social-and-economic crisis; however, the prospects of the System evolution will consist in elaborating and starting up the mechanisms based on the real interests of the System's main subjects and optimal relationship between them.

2.4. MHI Position Within Social Insurance System

The MHI is a constituent of the Social Insurance System operating in the Russian Federation (the Pension Fund, the Social Insurance Fund, the Employment Fund).

Nowadays the System is in its formation stage. The Funds of which it consists are running independently. The mechanisms of their corporate interaction are as yet undeveloped. The functions being shared between the Funds could be concentrated in one of the insurance subsystems.

The MHI Unrealized Potentialities for Integrating into a Single Social Insurance System:

- Strengthening of the health insurance legal basis through the development of conventional legislative fundamentals of social insurance;
- Representative participation of the MHI Federal Fund in establishing a federal body shared with other social insurance funds and designed for formulating a kind of single state policy in the field of social insurance;
- Cooperation with other social insurance funds in terms of mutual support as dictated by the convenience of the situation;
- Possible participation (when the economic situation allows) in payments being the responsibility of the Employment Fund and the Pension Fund assigned for the idle people insurance (the unemployed and pensioners);
- Joining the forces of the MHI Funds and the funds of social insurance performing mutually complementary functions in the field of public health.

III. MHI SYSTEM DEVELOPMENT

3.1. Tentative Model for Formation of System of Interests within MHI System

The present MHI subject's interests lie in the guaranteed provision of all the citizens not only with the required volume of medical care but with a certain level of its quality as well. At the same time the self-adjustment mechanism meant for self-regulating the treatment quality for account of mutual relations between the interests of the MHI entities has not been adequately devised.

Example: The common interest of a medicoprophylactic institution and that of a physician consists in getting additional resources from the insurance agency for the purpose of providing adequate and merited salaries, that is to say, remuneration of labour, and with the aim to rectify the means and conditions for therapy procedures. The principle of payment on accounts (within the MHI program and the strictly specified rate for the medical services) for the job actually fulfilled encourages essentially the increase in the volume of work rather than the improvement of quality. This is the reason why the treatment quality is the subject of control on the part of MHI. Stimulation of medical assistance quality increase based on this way of payment may be justified only under conditions of the real market of medical services

but this is possible solely provided that there exists free competition between medicoprophylactic institutions and independent practicing physicians and sufficiency of the funds assigned for the relevant insurance as well.

The system of interests within the MHI will be more effectively formed in the event that it is based not only on the principle of medical labour remuneration upon elimination of an insured accident (treatment) but *on the principle consisting in preventing the insured accident, lowering its gravity and reducing its duration (primary and secondary prophylaxes)*. Actualization of this principle will allow to trigger the whole MHI self-regulation and self-development mechanism; in addition to that, the System will acquire the potentialities being unattainable for the medical assistance organizational model based on the state-planned (budgetary) version. By virtue of the principle referred to above, the interests of the MHI subjects will be formed as follows:

Medical Institution:

The MHI effects financing in the form of prepayment with the regional average periodicity index of insured accidents oriented towards the average degree of gravity and the average price of a particular medical service being taken into account.

The medical institution's (physician's) interest consists, in this instance, in saving the resources obtained. To attain these ends the following tasks should be handled:

- a) The reduction of number of the insured accidents through prophylaxes among healthy people (the primary prophylaxis);
- b) The improvement of treatment quality and consequently reduction of repeated resorts owing to relapses or lingering character of illness or chronicity (the secondary prevention);
- c) The intensification of cure processes (reduction of treatment duration) with orientation towards the use of economical medical practices. The MHI shall perform checks for possible cases of refusals of medical assistance and premature discharges of patients.

Health Insurance Organization:

Total reduction of insured accidents within the insurance field allows to provide saving of resources for the next year subject to budgeting for the purpose of applying them for further labour quality incitement. This encourages the MHI to carry out prophylaxes and makes its interests closer to those of a particular medicoprophylactic institution.

Health Insurance Fund:

The reduction of insured accidents optimizes the expenses for levelling the insurance opportunities.

Insurer:

The Employer is directly interested in sickness rate lowering and reducing in this manner the labour losses associated as it makes it possible to develop on this basis the ties with the MHI and a particular medicoprophylactic institution when the enterprise functions steadily. Under conditions of economic destabilization this interest can be promoted by using the so called "floating" insurance rate: in the case of average (for a given territory or similar types of institutions) periodicity of insured accidents the insurance premiums are paid

according to the commonly accepted rate, however should this index rises at a higher level, the insurance premiums are increased in proportion to the difference between the actual figure and the average one. This pattern will motivate the Employer to take every conceivable effort to protect health of the employed.

Client:

Notwithstanding the fact that the payment of the insurance premiums by the Employer is associated with the roll fund ("the labour remuneration fund"), it is not perceived by the Employed Worker as his personal insurance premium; it provides neither incentives nor interest in his health protection (save for the cases of illness) and attracts not more interest in quality of treatment to be performed "for account of his own money". That is one of the reasons why in compliance with practically all foreign MHI models the insurance premiums are effected by each employed worker from the calculated sum of labour remuneration and, in addition to that, the population takes part in payment for medical services as the pertinent "consumption" is being proceeded (co-payments effected by citizens).

In order for this not very popular measure be, in a way, soften and in order to promote the insured person's interest in his health maintenance (the disease prevention), it is worthwhile to work out what amounts to Regulations or a Statement on partial (or complete) meeting of the expenses incurred by the client for the medicines consumed in the course of ambulant therapy by the insurance agency.

The State:

The reduction in the population sickness rate takes some burden from the budgetary expenses for medical assistance.

This approach in question to forming the system of interests within the MHI is of conceptual nature and requires the development of its actualization mechanism. Modifications or combined variants are possible but all of them should be based on the principle of common interest within the system.

3.2. MHI Functioning Under Economic Instability Conditions

The prime objective of the MHI under economic instability conditions is to retain the possibility of furnishing the population with medical assistance at the pre-reformatory level and to strengthen its own positions in the interests of further development of the domestic public health system.

In these circumstances the MHI should be under the State control and operate in the form of the **Public** health insurance. The mandatory condition is the following: the budgeting of certain types of medical care and specific avenues of the public health system operation as well as effecting the payments for the idle (unemployed) individuals by the State.

The Federal Insurance Fund bearing up against the State Power and on behalf of its name shall **manage** the MHI System unless and until the economic situation in the country stabilizes; the Federal Insurance Fund shall do its utmost to provide observation of the Russian Federation Law "On Health Insurance of Citizens in the Russian Federation" and compliance with the appropriate resolutions made by the Government of the Russian Federation. The attention therewith will be focussed on tackling the following tasks:

1. Build-up of the insurance funds' financial potential

With this aim in mind the control over payments for MHI shall be intensified and additional sources searched for; in so doing the following is necessary:

- The Supreme State and Public Authorities shall specify responsibilities of the territorial organs and the bodies of executive power for the non-payment (and for the inopportune payment) in favour of health insurance of the unemployed part of the population;
- The legislative and government bodies shall consider the issue concerning the coordination of activity of all the social insurance funds and the transfer (possibly partly) of responsibility for budgetary payments for insurance of pensioners and unemployed persons to the appropriate social insurance funds.
- The issue dealt with partial contribution of the compulsory health insurance premiums (additionally to the accepted rate) for account of the workers' salaries/wages subject to the conditions stipulated in section 3.1 of the present Conception shall be solved according to the established order;
- The issue concerned with the introduction of the "floating" premium rate for the employers with an eye to increase them in the event of elevated sickness rate of the employed workers (see section 3.1) shall be discussed;
- The practice of gaining incomes by the insurance funds and institutions arising from the use of temporarily free resources shall be implemented and developed;
- The revenues received as the result of investment of temporarily free resources possessed by the MHI provided that they are applied for the purpose of financing the compulsory health insurance programs shall be exempt from taxation.

2. *Policy of Strict Economy*

In order for the policy of strict economy be introduced, it is necessary, before proceeding any further, to:

- stop the practice of the insurance funds's resources withdrawal and consolidation whatever the form of this practice may be used; to accomplish this objective the appropriate decision shall be taken by the government.
- allow deflection and drawing away of the MHI Funds's resources and those of Medical Insurance Institutions for the purposes not provided for in the MHI programs only as exceptions to the commonly accepted rule and on the grounds of the decision made by a particular legislative body and agreed upon with the Fund Management Board consisting of the representatives of executive organs, trade unions, policy-holders, insurers and others;
- direct the Medical Institutions towards cost reduction of medical services for account of predominant use of economic medical procedures and practices and the adequate ways of remuneration of the medical services rendered, and introduce material reward on the part of insurance institutions for performing this job;

- carry out the levelling of financial possibilities of the territories only on a differentiated basis with making use of economic, social-and-demographic criteria and indices of the population health condition;
- encourage the work performed by the insured, the Health Insurance Institutions and the Medical Institutions associated with the prevention of insured accidents (see section 3.1);
- establish the centralized strict control over the expenditure of the MHI resources by the territorial funds, the Insurance Institutions and the Medicoprophylactic Institutions. With this object in view provision shall be made pursuant to the established order for the practice of penalties imposed for application of the MHI resources not for their proper purpose (in favour of the Federal Fund);
- introduce the obligatory auditing practice within the MHI System and establish that the subventions and credits will be granted by the MHI Federal Fund to the territorial funds only with the proviso that the auditor's opinion is presented and also that the Funds and the Insurance Institutions operate in accordance with the requirements provided by the current legislation. The post of internal certified public accountants shall be provided in the MHI Funds' staffs with their introduction into the composition of the Funds' Management Boards.

3. *Accelerated Pace of the MHI Establishment*

The following arrangements shall be provided for the successful transfer to the MHI System:

- The efficient control on the part of the Federal Fund over the development of the territorial MHI Systems shall be organized, for which purpose the monitoring of the organizational, economic and legal spheres of the territorial funds' activities shall be organized;
- The basic regional training centers designed for instructing the beginners employed in the Funds, the Medical Insurance Institutions and the Medicoprophylactic Institutions shall be set up under supervision of the Federal Fund within the territories where the MHI Systems are developed successfully;
- The Institute of plenipotentiary representatives (consultants, experts, and the like) of the Federal Fund shall be established for the territories where the MHI is developed slowly or temporary centralized control is required in connection with the distorted practice of compulsory health insurance;

4. *Accompanying Undertakings*

For the purpose of broadening the knowledge of the managerial personnel of the State/municipal management on the MHI, the programme of special course of studies concerning social insurance (including health insurance) shall be worked out and recommended according to the established order for the introduction into the appropriate high schools and the centers carrying out the training of government employees;

- The Health Insurance Knowledge Promotion Center shall be established with the Federal Fund. The promotion process at the initial stage of the MHI making shall be based on comparison between the indices reflecting health, quality of medical care and salaries of physicians under the insurance and budgetary forms of medical assistance finance support. The dictionary "Health Insurance", an illustrated book about the MHI experience, the statistical review and other materials shall be prepared and published in the immediate future on a contractual basis;
- The membership of the MHI Federal Fund in the Community of Experts for Health and Public Health Financing Strategy in the Central and Eastern Europe countries shall be provided. The positive trends observed in the health insurance practices used in the "postsocialist" countries where the conditions under which the reform of public health is being effected are closer as compared with those available in the developed western countries shall be applied at the initial stage of the MHI establishment;
- The interaction of the MHI with other entities of social insurance within the Russian Federation shall be strengthened. The suggestion shall be put forward to the machinery of the President of the Russian Federation concerning the establishment of the National Council for Social Insurance of which the major objective would be formation and coordination of single State policy in the field of social insurance.

3.3. MHI Development Under Economic Stabilization Conditions

The economic stabilization will allow to reduce the degree of control over the MHI on the part of the State and to embark on a smooth transition from the essentially State form of the MHI organization to the social-and government form of the MHI organization.

The following are the main characteristics and changes to be taken place in the MHI under economic stabilization conditions:

- Various social forms of management within the MHI System structure are developed. The Federal and territorial MHI Management Boards are strengthened by introducing the representatives of trade unions, medical insurance institutions, insurants, public associations of insured, and the representatives of the Russian Union for Consumers' Right Protection organizations. The trusteeship functions, the functions of protection of interests of the insured and insurers to be performed by the MHI Management Boards are improved and strengthened. Commissions designed for settling disputes which may arise between the subjects of the MHI System are set up under the Management Boards;
- The part played by the Medical Insurance Institutions is increased. The Medical Institutions are financed not only on a capital accumulation principle (through the funds) but on the basis of allotment, where the contribution receipts (made for instance by the employed workers with their personal participation in the insurance process) are made available immediately for the MHI as the Insurer and when they are being "put into operation" directly (drawing clients and the Medical Institutions close to one another). Removing gradually the functions of insurers from the Funds;
- The resources of the Funds cease to be solely the property of the State and their application is under control of the Fund's Management Boards;

- The insurance premium rate is increased. It is expedient to revise the procedure of effecting compulsory health insurance payments for the idle (unemployed) part of the population bearing two possible options, namely:

1) insurance of unemployed family members at the place of work of a person on whom they are dependent;

2) direct per cent deductions of a fixed part of incomes tax to the MHI Funds.

Under this approach the State budget can be free completely from the compulsory health insurance payments in favour of the unemployed part of the population;

- Assignment of the Funds' Executive Directors is carried out upon the agreement with the MHI Federal Fund;

- The rights of the Medical Institutions as independent economic subjects become wider;

- Introduction the prophylactic and dispensary functions shall be effected into the practice of The Medical Institutions when contacting with the insured, and first and foremost with the groups of clients which are prone to the sickness risk to a greater extent;

- Transfer of the Medical Institutions to be closed down because of structural reorganization to be performed in the industry or those attached to unprofitable enterprises to the MHI System, for example on trust conditions, as the starting point of establishing the network of insurance Medical Institutions (there is a good reason to launch this work at the territories with the developed MHI just now).

3.4. Development of MHI Under Economic Boom

The upswing provides the the employers and the population with the opportunity of being engaged into the health insurance campaign and hence the MHI potentialities are accordingly increased. At this stage it makes sense to demarcate the system of financing the medical facilities on the part of MHI from the State budget with subsequent further development of the MHI public structures and functions.

Seen below are the major alterations to the MHI during this period:

- The MHI Territorial Funds' self-sufficiency is increased and strengthened. The centralized control over their operation is replaced step by step by that performed by public associations of the insured and insurers;

- The MHI Federal Fund concentrates its activity on the development of the normative and scientific-and-methodical basis for the practice of health insurance, on the adjustment of inter-regional ties between the insurers (formation of the common insurance field), on rendering organizational and financial support for the MHI regional funds in response to their applications.

- The optimization of the MHI premium rate amount;

- The encouragement of the Insurer by decreasing the amount of the contribution to be made to the MHI with steady lowering of sickness rate among the insured (in the event the "floating" rate is established);

- Further development of the territorial form of insurance for the purpose of increasing the efficiency of the principle of solidarity.
- The formation of the network of the Medical Facilities financed for account of the insurance resources;
- The provision made for real possibility for the insurer to choose a physician and transfer in this connection of the Medical facilities from the district medical aid principle to the institute of family doctors;
- The implementation of medical service remuneration with making use of the methods stimulating the volume, quality and utilization of adequate practices; the shift made in the direction of rendering medical services at the out-patient care stage of treatment.

The development of the present Concept was based on the data of the special analysis of the statutory acts, the resolutions passed by the Russian Federation Government, the major normative documents issued by the MHI Federal Fund, the publications concerning health insurance, the materials of the representative social studies carried out by the Institute of Social Engineering (the public opinion polls, the sample interviews, the interviews with experts, medical men, the representatives of the territories, including the heads of the Administrations and the managerial bodies of the Russian Federation Subjects, and so on) and also on the consultations with specialists in the fields of medicine, economy and management.

The work on the present Concept was carried out synchronous with the development of the "General Conception for Formation of Social Insurance System in the Russian Federation" performed by the experts of the Council for Social Policy attached to the President of the Russian Federation. A number of the provisions contained in this General Concept was taken into consideration when up-dating the Draft.